

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No.200001022382 (524989-M))

The Malaysian Reserve – Wednesday October 7, 2020 (A)

UEM Sunrise proposes merger with EcoWorld

► ECOWORLD DEVELOPMENT GROUP BHD

FYE OCT	2018A	2019A	2020F	2021F
REVENUE (RM mil)	2,172	2,462	2,240	2,345
CORE NET INCOME (RM mil)	162	206	204	246
CORE EPS (sen)	5.49	6.99	6.94	8.37
CORE PER (x)	7.4	5.8	5.8	4.8

► **Recommendation: Buy**
TARGET Price: RM0.68
by MIDF Research
(Oct 6)

ECO World Development Group Bhd (EcoWorld) announced that it has received a letter from UEM Group Bhd for the proposed merger of UEM Sunrise and EcoWorld.

The proposed merger will be carried out via an exchange of shares and warrants. Upon completion of the proposed merger, EcoWorld will become a wholly owned subsidiary of UEM Sunrise and subsequently delisted from Bursa Malaysia.

The proposed merger shall be carried out fully by way of securities exchange without any cash payment. Under the deal, EcoWorld shareholders will receive new shares in UEM Sunrise at an issue price of RM0.443

in exchange for EcoWorld shares held at an exchange price of RM0.469. This will result in an exchange ratio of approximately 1.059 new UEM Sunrise shares for every one EcoWorld share held.

We think the valuation is fair to both parties as that exchange price of RM0.469 for EcoWorld implies 70% discount to EcoWorld's latest net tangible assets (NTA) per share of RM1.57, which is similar with the implied 69% discount of issue price of UEM Sunrise share to its latest NTA per share of RM1.42.

We think that one of the benefits from the proposed merger would be the stronger financial muscles of an enlarged entity for overseas and local projects expansion.

Note that net gearing of EcoWorld is higher at 0.64x compared to UEM Sunrise's

net gearing of 0.48x, hence EcoWorld could leverage on UEM Sunrise's balance sheet for more financial resources.

Besides, we think that the proposed merger would allow EcoWorld to participate in the development of UEM Sunrise's huge landbank of 9,162 acres (3,707.73ha) in Iskandar Malaysia as EcoWorld has good expertise in marketing and branding.

Meanwhile, EcoWorld will make a decision on the proposal by Oct 30 to commence discussions on the proposed merger.

We make no changes to our earnings forecast. We maintain our 'Buy' call on EcoWorld with an unchanged TP of RM0.68, based on 70% discount to RNAV. We like EcoWorld for its attractive valuation as it is trading at 74% discount to latest NTA of RM1.57 per share.